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# **Talent Management and Global Competition for Top Talent: A Co-Opetition-Based Perspective**

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## ABSTRACT

In an age of competition for top talent, lateral hiring or personnel poaching has flourished not just between rivals, but also among allies transcending across national borders. This article integrates the literature on lateral hiring and co-opetition to develop a “novel” perspective of the co-opetition-based view of lateral hiring. A conceptual framework was developed to account for conditions under co-opetition setting in different markets. Contrary to the popular belief that poaching from rivals is more beneficial, the present research demonstrates that poaching from allies may be more beneficial in mitigating the “winner’s curse”. Indeed, poaching in the collaboration domain is characterized by greater access to information about the target employee before job change. Lateral hiring from allies in foreign markets can also be more beneficial given the potentially moderate stigma attached compared with those from domestic markets. The implications for firms and strategic human resource management literature are examined.

**Keywords:** talent management; top talent; human capital; co-opetition; lateral hiring; competition.

## INTRODUCTION

In the past few decades, human resource and strategy scholars have underscored the importance of human capital acquisition and utilization as essential for firms seeking to enter new markets (Adomako et al., 2019; Hayek et al., 2016; Ployhart et al., 2011; Pulakos et al., 2003). Indeed, competition for top talent has become more intense as more firms seek to expand across product ranges and national borders (Burton-Jones and Spender, 2009; Pennings and Wezel, 2007). The accelerated growth of many emerging economies has also ushered in a new and growing global competition for top talent (Kumar et al., 2015). One of the central questions of strategy research is why some firms fail and others flourish in the same environment (Amankwah-Amoah, 2016; Amankwah-Amoah et al., 2018; Amankwah-Amoah & Wang, 2019; Porter, 1991; Zhang et al., 2019). One possible explanation for this is rooted in some firms’ ability to identify, lure and retain top talent at the expense of others (Gardner et al., 2010). Accordingly, luring top talent from rival companies has come to be viewed as a key pillar in our understanding of how and why competitive advantages are lost and gained in many industries (Gardner, 2002; Groysberg and Lee, 2009; McNamara et al., 2013).

A burgeoning stream of research has demonstrated the competitive advantage of firms in industries such as accounting, software development and management consulting has shifted from possession of physical assets to superior human capital (Gardner, 2002, 2005; Groysberg and Abrahams, 2006). This has led to intense competition for star performers to help transform

organizations. At the same time, parallel change has occurred as some firms have sought to enter into “no-poaching agreements” with the aim of restricting employees’ mobility (Gardner et al., 2010). In 2012, the US Department of Justice and high-tech companies including Google, Adobe, Apple, Intel, Intuit and Pixar reached a USD 324 million settlement over the firms’ “no-poaching agreements” to stem poaching of each other’s employees (Farrell, 2013; Shy and Stenbacka, 2015). In an age of competition for top talent, lateral hiring or poaching as known by others, has flourished not only between rivals, but also among allies (Sullivan, 2008).

Although a plethora of scholarly works has demonstrated human capital as one of the roots of sustained competitive advantage (Campbell et al., 2012), our understanding of lateral hiring in both competitive and collaboration settings remains severely limited. Although past studies have offered explanations for the dynamics of lateral hiring (Gardner, 2002; Gardner et al., 2010; Lazear, 1986), there remains no clear understanding about what factors determine firms’ decision to “poach” (lateral hiring) from either rivals or allies in either domestic or foreign markets. Furthermore, much of the existing body of knowledge pertaining to lateral hiring lacks a conceptual framework to articulate the contours and account for different factors influencing a firm’s decision on whether to poach from either domestic or foreign markets. Accordingly, the present study represents an effort to address this gap in the existing literature by examining the dynamics and effects of lateral hiring in a co-opetition setting, i.e. collaboration and competition domains, and in different types of markets. This focus is partially motivated by the fact that both international and domestic dimensions are the key scope of global businesses (Peng, 2018) and firms compete by leveraging others’ resources or relying on their resources and expertise (Amankwah-Amoah, 2015a).

The paper offers several modest contributions to the co-opetition and human capital research. First of all, although lateral hiring remains a strategy to acquire top talent among incumbents and emerging firms (see Gardner, 2002; Kumar et al., 2015), there is limited literature on the effects and drivers of lateral hiring from competitors and allies either in domestic or foreign markets. The present

research extends the existing streams of research by integrating the lateral hiring literature (Lazear, 1986; Tranaes, 2001) and the concept of “co-opetition” (Brandenburger and Nalebuff, 1996; Bengtsson and Kock, 2000) to develop a “novel” perspective of the co-opetition-based view of lateral hiring. In addition, by integrating insights from cooperation and competition literature, the paper elucidates the conditions for the “winner’s curse” concept in lateral hiring and the effects (Perri, 1995). In so doing, the study responds to the growing streams of research which have suggested a need for a better conceptualization and articulation of the boundaries of the subject (Amankwah-Amoah, 2015a; Gardner et al., 2010; Groysberg, 2010; Kumar et al., 2015). Additionally, in spite of the increasing recognition that lateral hiring is pivotal for firms seeking to operate in new markets (Amankwah-Amoah et al., 2017; Groysberg, 2010), much of the existing literature has focused on poaching from rivals and offered little or no insights into poaching from allies. In light of this scholarly oversight, this study deviates from much of the existing literature by offering a unified analytical framework to account for the effects of poaching from allies and rivals and the interactions between the two.

The rest of the arguments in this paper are presented in three steps. First, a review of the lateral hiring and co-opetition literature is presented. After this, the key building blocks to our conceptualization are identified and explicated. This is then followed by explanations and examination of the key pillars of the analytical framework. The final section sets out the theoretical and managerial implications.

## **LATERAL HIRING: DEFINING A CONCEPT AND COMPONENTS**

One of the widely accepted premises in strategic human resource and strategy research is that superior human capital is an indispensable ingredient for superior organizational performance and success in both domestic and foreign markets (Becker, 1964; Schultz, 1961; Coff and Kryscynski, 2011). It is widely noted in the strategic human resource literature that highly skilled individuals are more productive in responding to crisis, enacting and delivering change management, and identifying and resolving organizational problems (Gardner, 2002; Chambers et al., 1998). Indeed, acquiring

readymade top talent can equip firms to understand new challenges, develop new products and outwit rival firms (Amankwah-Amoah et al., 2016, 2017). The knowledge-based view of the firm contends that competitive advantage can be traced to a firm's ability to identify, acquire, create and utilize knowledge (Felin and Hesterly, 2007).

According to research anchored in the resource-based perspective, one prerequisite for competitive advantage is a firm's ability to identify and lure scarce top talent (Coff and Kryscynski, 2011; Felin and Hesterly, 2007). For firms in knowledge-intensive industries such as high-tech and biotechnology, the ability to acquire top talent is considered one of the central pillars in gaining competitive advantage (Groysberg, 2010; Gardner et al., 2010). Human capital is a pivotal strategic asset of firms and difficult to curtail its mobility across organizational boundaries (Coff and Kryscynski, 2011; Ployhart et al., 2011). Anchored in the human capital perspective is lateral hiring, defined as a firm's attempt to identify, contact and hire an individual or team currently employed by another firm without hint of unemployment (for a detailed review, see Amankwah-Amoah, 2015a). This is a kind of unsolicited offer to interviews which actually lead to job change, i.e. non-searching (McDonald, 2005; McDonald and Elder, 2006). This also provides opportunity for learning from other firms via employee mobility.

### **Types of lateral hiring**

An important point to note about lateral hiring is that its manifestation rests on the assumption that there are a source/originating firm, outside/hiring firm and talent brokers, and the target employee (Gardner et al., 2010). There are two main types of lateral hiring, i.e. talent raiding (i.e. hiring a team away) and personnel poaching (i.e. hiring an individual away), both of which can occur within and across national borders (Rao and Drazin, 2002; Gardner et al., 2010). Human capital in the lateral hiring context refers to the knowledge, skills and abilities, which are more valuable to the recipient firm than the current firm (see also Ployhart and Moliterno, 2011). Across the globe, scholars and practitioners have employed an array of terms including labor raiding, cherry-picking, contract

jumping, talent raiding, poaching, lift out and tapping-up to refer to lateral hiring (Gardner, 2002; Gardner et al., 2010; Kumar et al., 2015). Scholars have also recognized that some employees develop new and superior sets of skills, knowledge and relational capital, which makes them distinctive and attractive to outside firms (Groysberg, 2010; Gardner, 2002). For some firms, engaging in lateral hiring means utilizing the services of a head-hunter to reach and recruit the target employee.

Broadly speaking, the approaches adopted by poaching firms often depend on whether the knowledge held by the individual is firm-based, team-based or individual-specific (see also Campbell et al., 2012). These play a pivotal role in an outside firm's decision on whether to lure a team or an individual. An excellent and famous example of talent raiding occurred when Yahoo lost a whole team to the software company, Nuance (Sullivan, 2008). The case of Amvescap and Deutsche Bank also illustrate this point. In 2007, Amvescap filed a lawsuit against Deutsche Bank alleging that the firm had sought to damage it by luring its 16 top managers responsible for 21% of its total asset (Kim, 2014). Besides the acquisition accumulation of the highly skilled individuals, the hiring firm also inherited the social capital and networks of clients developed by the individuals during their previous employment. One growing but nascent branch of research has suggested that lateral hiring fosters the accumulation of social capital and learning (see Amankwah-Amoah, 2015a).

Buoyed by the winds of change following today's "war for talent", many executives are hired into jobs without a hint of unemployment (McDonald and Elder, 2006; Sullivan, 2008). Lateral hiring is particularly attractive to many employers partly because during periods of unemployment, human capital can become obsolete in the face of changes in the business environment, thereby rendering an individual less productive in the hiring firm (Groysberg, 2010). From a strategic management perspective, lateral hiring can be viewed as a competitive move, instigated by an outside firm to lure an employee of a current firm to strengthen their market position whilst concurrently weakening the competitor's (Groysberg, 2010; Gardner, 2002; Kumar et al., 2015). Extending this insight, personnel poaching can lead to an erosion of a firm's competitive advantage whilst at the same time enabling

rivals to enhance their repertoire of knowledge and expertise (Gardner, 2002). It is worth noting that predatory hiring is an element of lateral hiring, where a firm seeks to eliminate a rival by luring its top talent (talent raiding) (Kim, 2014).

Recent contributions to this stream of research suggest that lateral hiring can be seen as a means for firms to fill expertise gaps and gain access to highly skilled individuals without having to incur all their training and development costs (Panagiotakopoulos, 2012; Groysberg, 2010). Past studies have demonstrated that, constrained by limited advancement opportunities and poor job security within the current firm, many highly skilled employees are often forced to accept offers with superior conditions from outside firms (Panagiotakopoulos, 2012). A study by Fox (2010) uncovered that highly skilled and experienced engineers had high switching costs relative to younger engineers, and therefore were reluctant to accept encroachment and offers from outside firms.

### **The “winner’s curse”**

Anchored in the notion of “portability of performance” is the suggestion that poaching would lead to replication of the same or superior performance in the recipient organizations (Groysberg, 2010; Groysberg et al., 2008). However, one of the unexpected outcomes of lateral hiring is the “winner’s curse” (Perri, 1995; Lazear, 1986) or bidder “misevaluation” curse. This is where managers “mistakenly believe substantial synergies exist in a deal, bid at excessive prices, and pay for targets more than they are actually worth” (Pereiro, 2016, p. 11). The overvaluation occurs when the hiring firm inadvertently misjudge the value of the target employee and overpay for their human capital. This is often attributed to a lack of visibility and information about the actual productivity and performance of the individual in the source firm (Amankwah-Amoah, 2015a). The asymmetric information hypothesis contends that at the time of hiring, outside firms have limited information about the target employee and are at an informational disadvantage relative to the current employer. The recipient firms can utilize the poached employees to deliver sustainable advantage or might experience the “winner’s curse”. In a competitive situation, firms which lured a team or highly talented individual



are more likely to pay more and reward the individual or team handsomely more than their actual value (McNamara et al., 2013).

## **THE CONCEPT OF CO-OPETITION**

Having set out the key features of lateral hiring, we now turn our attention to the concept of co-opetition. The concept of co-opetition (Brandenburger and Nalebuff, 1996; Bengtsson and Kock, 2000) refers to a situation where two or more competing firms are also co-operating in or around functional activities for their mutual benefit (Czako et al., 2014). The simultaneous collaboration and competition can be geared towards targeting a market or product segment by combining their existing capabilities and resources (Bouncken and Fredrich, 2016). Co-opetition is necessitated by factors such as declining product life cycles, rising cost of R&D and technology convergence (Gnyawali and Park, 2009). A typical example of co-opetition is the recent decision by Toyota, the world's largest carmaker, and BMW to pool their resources on fuel-cell technology (The Economist, 2015). In the wake of rising costs of research and development activities (see also You et al., 2019), co-opetition was seen as a means of helping to improve their competitiveness for the future. Even in the face of intense competitive rivals, some firms may opt to collaborate with their most formidable rival (Yu et al., 2013). A case in point is that of Ford and its arch-rival, GM, who have collaborated on high-efficiency gearboxes (The Economist, 2015).

In the light of increasing global competition, opportunities emerge for firms through collaboration to benchmark their own strengths and assemble necessary resources and expertise to improve their competitiveness (Gnyawali and Park, 2009). Past studies have demonstrated that co-opetition in foreign markets may be propelled by the need for the partners to pool their resources and capabilities to help solidify their collective power in dealing with external stakeholders such as foreign and local governments (Luo, 2007). This is further re-enforced by the fact that competition between rival firms dilutes their bargaining power and ability to shape and influence national policy in foreign markets. By pooling their resources through collaboration, multinationals would be better positioned

to improve their competitiveness (Luo, 2007; Gnyawali et al., 2016). One stream of research has indicated that co-operating with rivals to innovate can actually strengthen the competitive bases of both firms (see Von Hippel, 1987).

### **Amalgamating co-opetition and lateral hiring**

The co-opetition perspective is a bridge between competitors and allies, whilst each party concurrently pursues their activities in different arenas, representing an opportunity for poaching to occur within each arena. The occurrence of competition in one arena and collaboration in another provides the basis for market opportunism to occur (Czakoń et al., 2014). Opportunism here refers to situations where one party in a collaboration setting decides to pursue an activity such as providing distorted information and violating the spirit of contractual arrangements that advances his/her self-interest at the expense of the other party (Luo, 2006, 2007). As many firms and countries have ushered in the “age of alliances” in an attempt to accrue synergistic benefits and improve efficiency, the tendency for opportunistic behavior to occur has also escalated (The Economist, 2015). As Luo (2007: 132) observed, “opportunism is pervasive and difficult to obviate” in a co-opetition setting given the loosely coupled nature of the relationship. A line of argument rooted in transaction cost theory and arguments (Williamson, 1975) contends that knowledge possession in a collaboration setting is subjected to the threat of opportunism by a partner through lateral hiring as rival firms may seek to acquire that knowledge and expertise by luring employees or even teams away from the current firm (see Gardner, 2002).

Under conditions of co-opetition, firms may engage in opportunistic behavior by sharing only limited knowledge whilst concurrently hiding some knowledge or siphoning some knowledge and expertise for use elsewhere after the end of the project or during the source of the project (Bengtsson and Kock, 2000). Researchers have recognized that some firms seek to accrue greater benefits from co-opetition during and after the alliance at the expense of the rival firms (Czakoń et al., 2014; Bouncken and Friedrich, 2016). It has been suggested that largely due to rival firms’ superior resources

and expertise; some co-opetitors are often motivated to tap into their knowledge and expertise base for future use (Bouncken and Fredrich, 2016).

Although many firms venture into co-opetition arrangements to exploit new technologies and push the technology frontiers (Bouncken and Fredrich, 2012), this quest also exposes them to other firms' high performers with potential to poach. At the cornerstone of the co-opetition setting are the different power and resources bases of each of the partners (Bouncken and Fredrich, 2012). Powerful and resource-rich firms have considerable resources to raid the rival firms of their high performers. In a co-opetition setting, employees at the functional unit in the collaboration domain begin to recognize and notice the performance of individuals in each firm. The close observation of each other's employees can provide rival firms with the opportunity to identify top performers, thereby providing a basis for future talent raiding. Poaching provides the basis for future value creation and capture. In a competitive environment, firms are motivated to pursue their own interests, take advantage of rivals by poaching their talented individuals and exploit knowledge leakage. Co-opetition does not counter poaching activities by any of the firms or talent brokers (third-party recruiters) hired to work on their behalf. The arguments thus far suggest that unlike the competitive domain, collaboration can facilitate the transfer of valuable information from one partner to another.

### **A CO-OPETITION PERSPECTIVE OF LATERAL HIRING: A TYPOLOGY**

In order to develop a conceptual framework to capture the features of the co-opetition perspective of lateral hiring, it is contended that there are different parties with varying motives in a co-opetition setting (Fernandez et al., 2014). It is suggested that lateral hiring, just like co-opetition, encompasses two opposing concepts: collaboration and competition domains. This is where a focal firm has both competitors and allies (outside/current firm) whose employees are potential targets for poaching. The co-opetition-based view contends that firms can simultaneously cooperate in some key areas such as research and development, whilst they compete against each other in other domains such as promotion. Following this line of reasoning, the opportunity to poach from the two main domains is available to

hiring firms. In the competing domains, the lack of information about the target employee is more likely to lead to the “winner’s curse”, whereas in the collaboration domain access to each other’s workers and knowledge about star performers means that poaching is more likely to be advantageous to the recipient firm and has potential to eliminate the “winner’s curse”. At the root of the co-opetition perspective of lateral hiring is the suggestion that firms can simultaneously compete and cooperate with rivals in both domestic and foreign markets, with each domain representing a potential avenue for firms to poach strategically to minimize the adverse effects and amplify the benefits.

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For analytical clarity, the co-opetition view suggests cooperating in one domain (allies/non-competitors) and competing in another (rival). Lateral hiring allies include alliance partners and collaborators. It contends that a focal firm broadly competes in two main domains, i.e. domestic and foreign. Building on the above insights, four key dimensions (lateral hiring from allies or rivals vs. lateral hiring from domestic or foreign markets) were identified. Crossing the two types of markets with the two dynamics of co-opetition, produces a 2 x 2 matrix of the types of lateral hiring, as illustrated in Figure 1. From the competition angle of the above discussions, two elements were deduced (i.e. Quadrant I: lateral hiring from rivals in domestic markets and Quadrant IV: lateral hiring from rivals in foreign markets). From the collaboration dimension, two elements were deduced (i.e. Quadrant II: lateral hiring from allies in domestic markets and Quadrant III: lateral hiring from allies in foreign markets). It is contended that there are different precipitating factors and effects depending on the arenas from which the firm poaches, i.e. domestic or foreign markets, and whom they poach from, i.e. rivals or allies. The four-quadrant typology of lateral hiring represents angles to view the subject. The remainder of this paper will be devoted to explicating the features and dynamics of the quadrants.

## **Quadrant I: Lateral Hiring from Rivals in Domestic Markets**

Quadrant I is where a firm is motivated by a host of factors to lure a team or an individual from a rival firm in the domestic market. One of the reasons for poaching is that many domestic small and medium enterprises (SMEs) are increasingly reluctant to invest their limited financial resources in training workers because of the risk that the employee would be poached by rival firms with generous rewards and promotional opportunities (Panagiotakopoulos, 2012). For many SMEs, training is regarded as a costly activity, the benefits of which are accrued by rival and large firms (Hendry, Arthur and Jones, 1995; Panagiotakopoulos, 2012). One possible explanation is the poor financial rewards, employment conditions and little job security associated with SMEs, which often means that target employees cave in to outside offers with superior conditions associated with large firms and multinationals (Panagiotakopoulos, 2012). These serve as disincentives to staff training and development (Hendry et al., 1995), thereby encouraging personnel poaching.

Recent contributions in the literature have also suggested that firms characterized by under-investment in human capital often struggle to enter and compete in both national and international markets (Al Ariss, 2014). In an attempt to address such deficits for domestic expansion, poaching from local rivals often appears an attractive avenue to secure ready-made talent for faster expansion (Al Ariss, 2014; Ionides et al., 2007). Besides the precipitating factors, poaching from rivals can have the detrimental effect of altering the competitive positions of both the outside and current firms (Kim, 2014). Firms that are successful in poaching from an “eternal foe” can weaken rivals whilst at the same time fortifying their own position. Indeed, poaching can also carry the added benefit of equipping the recipient firm with new sources of knowledge and creativity (Amankwah-Amoah, 2015a, 2015b).

In addition to acquiring the external knowledge, lateral hiring also delivers an opportunity to the recipient firms to view their current problems from a different perspective with the aim of fostering innovation (Perry-Smith 2006). However, anti-poaching agreements can limit domestic poaching from rivals. To illustrate this quadrant, we turn to the recent cases of Apple and Google. In 2013, it was

uncovered that they had a gentleman's agreement not to poach each other's employees. Indeed, the two tech companies had concluded that by steering away from poaching each other's employees, both firms could benefit financially (Farrell, 2013). It has also been suggested that pay secrecy can prevent personnel poaching by keeping rival firms "from knowing what they must offer to lure good employees away" (Colella et al., 2007: 62). One study on the Indian market has demonstrated that firms that poach locally are perceived as "more business-minded" and competitive, whilst concurrently viewed as "less ethical" (Kumar et al., 2015). In recent years, some of the traditional "no-poaching" agreements between rival firms have often been "put aside, leaving corporate recruiters to act as external search firms and freely raid other organizations' employees" (Pulakos et al., 2003: 160). In this competition setting, there is a high degree of decision-making uncertainty stemming from the fact that the hiring firms' decision to poach is based on incomplete information about the attributes of the individual performance, which could ultimately lead to the occurrence of the "winner's curse" (Bernhardt and Scoones, 1993; Golan, 2005; Waldman, 1990).

### **Quadrant II: Lateral Hiring from Allies in Domestic Markets**

Quadrant II is often restricted or prohibited by a memorandum of understanding between alliance members not to poach other's employees. One important explanation for this quadrant is that some firms act opportunistically by poaching from allies to strengthen their position. Trust has been recognized as a building block of inter-firm collaboration as well as co-opetition (Devetag, 2009). Therefore, raiding collaborators' employees could undermine the basis of the collaboration and lead to termination of the relationship. One stream of research suggests that some multinationals engage in opportunistic behavior by luring top talent from alliance partners, customers and suppliers with superior benefits and employment opportunities (see Muskin, 2000). In some quarters, this can be viewed as some kind of "exploitation of relative power" by the MNEs leading to a job change for the target employee (Muskin, 2000: 292). Indeed, poaching from partners often occurs under conditions of access to some employees' information. Such actions might also be perceived as violating not only

the written rules of the collaborative arrangement, but also unwritten ones. Each firm's ability to observe others' employees and their performance indicates that poaching here is more likely to mitigate the "winner's curse". One possible explanation is that some managers and human resource executives are reluctant to poach from allied firms for fear that the other firms would retaliate (see Sullivan, 2008). For instance, in the United States, some managers and corporate recruiters at times shy away from poaching from partners on the grounds that it is "unethical" and poses the risk of undermining the basis of the relationship (Gardner et al., 2010; Sullivan, 2005a, 2005b). As Mesquita (2007: 75) puts it, "distrust in some domains is known to increase the levels of distrust in other domains". Furthermore, when firms cooperate to share R&D costs, the need to poach from the partner is reduced. However, anti-poaching arrangements can curtail each firm's behavior and limits employees' ability to obtain maximum reward for their labor (Shy and Stenbacka, 2015). In a similar vein, poaching from allies may lead to a partner's decision to end cooperation in an attempt to protect its key assets. The potential effects of personnel poaching on firms and their ability to innovate and compete tend to vary.

### **Quadrant III: Lateral Hiring from Allies in Foreign Markets**

In light of increasing global competition, more firms have broadened the scope of their lateral hiring activities to include foreign markets (Ionides, Endres, Pilling and Sobie, 2007; Sheldon and Li, 2013). One motive is firms seeking growth in new foreign markets. Many have sought to lure ready-made talent such as executives by poaching from other firms in the market already (Ionides et al., 2007; Baker, 2006). Poaching from allied firms already in foreign markets enriches the expertise base for the focal firm and its ability to compete. Another motive is that many market-seeking firms have employed poaching as a means of achieving faster growth in international markets by luring ready-made talent and bypassing training and development costs (Ionides et al., 2007). To illustrate this quadrant, we turn to the global airline industry. Over the years, alliances have shifted from firm versus firm to group versus group as such alliances have congregated around the airline alliance groupings such as Oneworld, SkyTeam and Star Alliance (Lazzarini, 2007; Gomes-Casseres, 2003). These

alliances share resources and expertise around the globe, which help to improve the competitiveness of their members. Although many airlines engage in alliances around the globe, they also concurrently poach pilots, engineers, executives, cabin crew and line managers from rivals to help to expand into new developing markets (Amankwah-Amoah and Debrah, 2011). Indeed, compared with domestic markets, foreign markets can be seen by the hiring firm as distant and less stigmatizing or guilt-inducing when poaching from allies (Amankwah-Amoah, 2015a). By stigma, we are referring to “some attribute or characteristic that conveys a social identity that is devalued in a particular context” (Crocker, Major, and Steele, 1998: 505). In light of the increasing internationalization of firms, the effects of poaching are likely to be shaped by the eventual destination of the poached employee. When a firm poaches in foreign market with the aim of keeping employee at that market, this might carry a “moderate stigma”. However, cross-border poaching from allies can undermine the basis of relationship with the alliance partners and carry higher risk of stigmatization.

Beyond the positive effects of poaching from the allies, poaching talent such as executives, engineers and country managers from allies in a different country may hamper their basis of trust. Although anti-poaching agreements or “no cold call” agreements often exclude poaching from allies as a recruitment strategy (Shy and Stenbacka, 2015), this often applies to only the domestic market of the parties. As such, there are few or no barriers to firms seeking to poach from abroad. Furthermore, anti-poaching agreements and cross-border poaching is often extremely difficult to enforce or restrict. It is also worth noting that hiring exclusively from non-competitors (allies) could mean that the poached employee would be without experience in the functional area in question or the industry (Sullivan, 2005b).

#### **Quadrant IV: Lateral Hiring from Rivals in Foreign Markets**

Today’s global economy is increasingly characterized by knowledge-based competition, where firms compete for top talent as an ingredient for international success irrespective of their geographical location, thereby increasing the trend of poaching from rivals in foreign markets (Pulakos et al., 2003).



This quadrant represents poaching from competing firms in foreign markets. One possible explanation is that when local demand for a particular expertise (e.g. doctors, engineers and scientists) outstrips supply on the local market, many firms are forced to poach from foreign markets in an attempt to fill expertise gaps within their organizations (Singh et al., 2003; Sheldon and Li, 2013). In recent years, many healthcare organizations in the developed world have lured nurses and doctors from hospitals in developing countries to fill expertise gaps in their organizations (Nelson, 2004; Singh et al., 2003). Global firms have often employed talent brokers to act as intermediaries in contacting and recruiting highly skilled individuals in foreign countries. Much of the hiring here is predicated on enticing financial rewards offered and perceived new opportunities in the new organization and country which often supersedes other motivations. Arguably, poaching from far away locations may carry moderate stigma (see Hamori, 2010), if the poached employee is kept in that market. For many Western firms, establishing a foothold in emerging economies is often clouded by lack of understanding of the “rules of the game” (North, 1990). The “newness” of foreign markets to MNEs often prompts them to lure individuals with the right set of expertise currently employed by rivals in the country in question. Indeed, many Western-based firms seeking to enter fast-growing emerging markets have often poached top talent from rival emerging-market firms to help them gain access to local knowledge and expertise in a timely manner (see Ionides et al., 2007; Baker, 2006). Buoyed by success at home, emerging firms’ expansion to new countries often required poaching from local rivals to give them access to local knowledge and expertise ex (see also Sullivan, 2005a). Owing to the acquisition of star performers through lateral hiring, many companies including SMEs and MNEs gain access to top talent for immediate internationalization take-off (Ionides et al., 2007; Sullivan, 2005a). Besides, poaching from rivals in foreign markets enables them to gain access to ready-made top talent rather than spending years developing talent internally through employee training and development (Sullivan, 2005a; Cappelli, 2008). It also enables the focal firm to weaken the competitors in the market just before or after entry.

## DISCUSSION AND IMPLICATIONS

The purpose of this paper was to explicate the dynamics of lateral hiring in a co-opetition setting, i.e. simultaneous collaboration and competition. In so doing, a “novel” theory of the co-opetition-based view of lateral hiring was advanced, which contends that the simultaneous cooperation in an area and competition in another represents opportunities for firms to poach strategically to minimize the negative effects and amplify the benefits. Building on the contention that firms compete in both domestic and foreign markets as well as being able to poach from both allies and rivals, a four-quadrant framework was developed which accounts for the underlying factors which influence firms’ decisions to either poach from rivals or allies. Regarding the effects of lateral hiring, an important insight stemming from our analysis is that the effects of lateral hiring from rivals and allies in both the competing and collaboration domains tend to differ.

Our theoretical analyses suggest that poaching in competitive settings (either domestic or foreign markets) creates conditions for “winner’s curse” to occur largely due to limited information about the target employee. However, in a collaboration domain, whether domestic or foreign, there is greater potential for mitigation of the “winner’s curse”. This is partly due to information flow between the partners on individual performance. Under such conditions, poaching from allies may be as beneficial as poaching from rivals. This analysis raises some questions about the widely held view that poaching from rivals is more beneficial, largely due to the dual effects of strengthening the hiring firm, whilst concurrently weakening the rival firm. Nevertheless, poaching from allies has potential to undermine the basis of trust and collaboration, whereas poaching from rivals may weaken their expertise base and ability to compete. Taken together, the conceptual framework demonstrate that co-opetition offers opportunity for outside firms to gain access to information and knowledge about individual performance prior to poaching and is thereby better able to mitigate the effects of the “winners curse”. Indeed, firms’ ability to accrue benefits from poaching from rivals may hinge on whether it occurs in a domestic or foreign market.

## **Contributions to Theory**

The study stands to make key contributions to strategic human resource management research. First, although a vast body of research has examined lateral hiring from rivals (Gardner, 2002, 2005; Gardner et al., 2010; Kumar et al., 2015; Lazear, 1986), limited attention has been paid to lateral hiring from allies and whether such actions can be beneficial. In this direction, the study advances an argument to counter the existing view that only poaching from rivals is more beneficial. The analysis indicates that, in the competitive setting, there is little or no incentive for the current firm to reveal information about the attributes of employee performance to outside firms. Therefore, poaching under such circumstances is more likely to lead to the winners' curse. On the other hand, in a collaboration setting, firms have more opportunities to observe each other's employees. Therefore, lateral hiring from allies might be more beneficial than from rivals in mitigating the "winners' curse". Besides, by conceptualizing and articulating the features of each of the four domains, this article addresses a core topic of strategic human resource management of "portable" human capital (Groysberg, 2010) and strategy of how some firms lose their competitive edge and ability to compete. Specifically, our analysis contributes to strategic human resource and lateral hiring literature (Gardner, 2002; Groysberg and Lee, 2009) by articulating and deepening our understanding of how competitive advantages are lost and gained in a co-opetition setting. In addition, the study develops a framework to capture the contours of lateral hiring within the context of co-opetition. Thus, contributes to the growing body of research on human capital or talent flows (Groysberg, 2010; Tung, 2008).

## **Practical implications**

The study has important implications for practicing managers. First, our conceptual framework underscores that for firms with a strong global footprint, poaching from further afield has the capability of reducing any potential "ethics" issues and stigmatization after poaching. By widening the scope of their poaching activities to include both domestic and foreign markets, firms would be better able to engage in strategic lateral hiring to accrue the maximum benefits. Second, resource-seeking firms should seek to develop stronger employment branding, which entice applicants and convey a positive

impression to outsiders that the firm is the best place to work (Dineen and Allen, 2016; Fee and Hadlock, 2003). This helps in enticing skilled workers to the organization and helps to overcome the problem of talent shortage. Besides developing employment branding, our study also indicates that poaching from allies might be more beneficial than poaching from rivals in a co-opetition environment. Notwithstanding the potential gains of different the types of lateral hiring, the timing is likely to be firm-specific with some firms opting for during the cooperation whilst others after the alliance/collaboration.

### **Limitations and Directions for Future Research**

The analysis should be viewed in light of the limitations. First of all, the notion of a firm competing in two domains and lateral hiring from allies and rivals applies to very few firms. Indeed, many small businesses do not have a collaboration dimension in their operations. This limits the generalizability of the conceptual model. The analysis presented here demonstrates a need for a much broader conceptualization of lateral hiring to account for factors such as cooperation between rivals and allies and how that might influence how it is initiated and carried out. In addition, context-specificity of human capital may limit its mobility across national borders or industry, which has not been fully accounted for by our conceptualization. It has been suggested that externally acquired knowledge might have to be adapted and transformed to enhance its usability in new contexts (Nonaka, 1994). Therefore, there is a need for further research to seek to broaden our conceptualization to account for this shortcoming.

In the light of these limitations, there are promising avenues for future research. First, future research could probe further into the concurrent effects for both lateral hiring from allies and rivals on firms' overall performance. Indeed, much of the existing body of research pertaining to lateral hiring has focused on the issue of poaching from rivals in a domestic market. Although this domain has received most and increasing scholarly attention, there is a need to redirect scholarly attention to the other domains and their potential effects of lateral hiring and how they unfold over time. Such analysis

and cross-domain analysis would help to provide a clearer understanding of the contours of lateral hiring. Given the no consideration to the size of the focal firm, stage of internationalization, and modes of internationalization strategy, future study should seek to consider these issues in advancing our understanding of this hiring strategy in the international context.

In addition, at times, the success of poaching depends on a recipient firm's ability to restrict successive mobility of individuals through incentives such as pay, "gentleman's agreement" and bonus. An important first step in this regard and a promising avenue for future research is an examination and determination of whether poached employees have a greater tendency relative to other employees, to jump ship. Additional attention is needed to examine the retention of employees under each of the four quadrants. Another avenue worthy of further scholarly attention is to examine the long-term effects of poaching from allies on a focal firm's existing relationships. Furthermore, different types of alliances were not considered and present fruitful areas for future research. Finally, lateral hiring remains a growing phenomenon, it is hoped that this conceptualization will ignite new streams of research on the subject.

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Figure 1: A typology of co-opetition perspective of lateral hiring

